The number of properties in the NCREIF Farmland Index (NFI) increased by 6 in Q3 2022 bringing the total property count to 1,306, and the NFI’s market value reached a new record of $14.9 billion. At the end of Q3 2022, the NFI was comprised of $9.1 billion (61%) of annual cropland and $5.8 billion (39%) of permanent cropland. Directly operated permanent crop properties represented $4.2 billion (29%) of the NFI, while leased cropland properties accounted for $10.6 billion (71%).

Regionally, the Pacific West (39%), Delta States (19%), and Corn Belt (12%) comprised over 70% of the NFI, collectively. The other 29% is represented by the Mountain (8%), Pacific Northwest (7%), Southeast (3%), Lake States (4%), Southern Plains (2%), Northern Plains (3%), Appalachian (1%), and Other (1%).

In Q3 2022, the NFI reported strong quarterly performance, surpassing the Q3 results experienced in 2021. Over the prior four quarters, the NFI’s cumulative total return was 10.21%, resulting from an income return of 3.73% and appreciation of 6.48%. Annual cropland’s rolling 4-quarter return was 14.43%, an increase of approximately 48 basis points as compared to Q2 2022 due to increases in income and appreciation returns. Permanent cropland posted another positive quarter of total return, reporting a rolling 4-quarter total return of 4.05%.

Over the past four quarters, the annual cropland sub-index generated an income return of 3.55% and appreciation of 10.60%, resulting in a total return of 14.43%. This result was almost double the rolling 4-quarter total return as of Q2 2021 (7.82%) and is also above the previous quarter’s rolling 4-quarter return (13.95%).

From a regional standpoint, total returns over the past four quarters ranged from 26.25% in the Corn Belt to 7.85% in the Pacific Northwest. The Corn Belt, Lake States, Delta States, and Southeast all reported rolling 4-quarter total returns exceeding 10%.

As of Q3 2022, the permanent cropland sub-index reported a rolling 4-quarter income return of 4.00% and appreciation of 0.05%, resulting in a total return of 4.05%. Recent returns produced by the permanent cropland sub-index are near 20-year lows. It is noteworthy that over the period represented in the chart below, almonds and wine grapes have comprised over 50% of the permanent cropland sub-index on average. The chart below demonstrates permanent cropland returns have experienced periods of significantly higher and lower returns as compared to the annual cropland sub-index.

Permanent – All Others accounted for the highest return over the prior 4 quarters at 5.81% while apples accounted for the lowest return, 0.12%. The rolling 4-quarter returns for all major permanent crop categories continue to lag their 5-year and 10-year returns. Almonds (1.67%) and pistachios (1.22%) produced the strongest permanent crop returns in Q3 2022. On the other hand, Citrus (0.25%) and apples (-0.05%) represented the lowest permanent crop returns during the quarter. The rolling 4-quarter performance of leased permanent cropland exceeded the performance of directly operated permanent by 210 basis points, outperforming in terms of income and appreciation.

**Joseph Villani**  
Portfolio Manager  
Westchester Investment Management